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ARIZONA CORPORATION COMMISSION

Direct Line: 602-542-3682
Fax: 602-542-3708
E-mail: MGLEASON@AZCC.GOV

August 2, 2005

Chairman Jeff Hatch-Miller
Commissioner William A. Mundell
Commissioner Marc Spitzer
Commissioner Kristin K. Mayes

Re: Environmental Portfolio Standard Rules
Docket No. RE-00000C-05-0030

Dear Colleagues:

In my letter to you July 25, 2005, I explained why non-firm, non-dispatchable power must have back-up infrastructure to maintain electric service reliability. I also offered conservative estimates of the costs of this infrastructure and suggested that the true cost of non-firm renewable power must incorporate these back-up infrastructure costs.

Using the data supplied at Tab 4 (Costs of a Revised Portfolio Standard) in Staff's December 16, 2004 report and its June 23, 2005 revision, the infrastructure costs in my most recent letter, and the average residential usage of electrical energy, one may calculate the true cost of non-firm power that would be mandated under the proposed EPS Rules. The true cost of power supplied to residential consumers for each year of the proposed EPS is listed in the following table:

Year	Average Annual Residential Cost	Year	Average Annual Residential Cost
2005	\$25.58	2016	\$70.01
2006	\$33.66	2017	\$78.09
2007	\$35.01	2018	\$87.52
2008	\$36.35	2019	\$95.59
2009	\$37.70	2020	\$105.02
2010	\$40.39	2021	\$114.44
2011	\$45.78	2022	\$123.87
2012	\$49.82	2023	\$133.29
2013	\$53.86	2024	\$144.06
2014	\$57.90	2025	\$153.49
2015	\$61.93		

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Another interesting calculation is the true total cost of the program. At \$6.7 billion, this would indeed be a significant subsidy to be paid by Arizona ratepayers.

Sincerely,

A handwritten signature in cursive script that reads "Mike".

Mike Gleason
Commissioner